



Ontario
Bioscience
Industry
Generated
Recommendations
for Sustainability
and Growth in
2011 and beyond

December

2010

The 2010 OBIO Survey speaks to the persistence of challenges in accessing capital and impediments to accessing both funding and markets. The survey serves as a scorecard for existing government programs and as an important source of industry-led ideas for supporting the growth and commercial potential of Ontario's life sciences sector.

Bioscience
CEO
Consultation

1.0 Executive Summary

Ontario's life sciences companies continue to be challenged by the slow global economic recovery. Restrictions in the availability of capital continue to constrain this sector's ability to ensure Ontario's 'human capital' provides its greatest return on our societal investment.

In 2009 the Ontario Bioscience Industry Organization (OBIO™) conducted its first consultation with the Chief Executive Officers of Ontario's life sciences companies resulting in "Industry Generated Recommendations for Sustainability and Growth of Ontario's Bioscience Industry in 2010 and Beyond".

In November of 2010, OBIO conducted its second industry consultation. As with the first survey, this consultation sought to give voice to the concerns of senior life sciences executives and offer industry generated recommendations for how best to support this sector. The survey, sent to 77 C-level executives received 56 responses (73% response rate). Respondents were predominantly private companies (87%) focused on either research and development (35%) or pre-clinical research (30%). Many companies are 'pre-profit' (57%) and raising funds remains a critical focus for >90% of company leaders.

As in 2009, the 2010 survey polled executives on specific and actionable recommendations for improvements to existing funding initiatives. Chief Executives were consistent in raising concern over the level of support offered by government programs, the inefficiencies engendered by the application processes, and the challenges to their ongoing operations brought about by delays in disbursement. Accepting these opportunities for improvement, >85% of the CEO respondents consider their company's situations to be either the same or improved over the last year with the greater percentage (50%) offering that their situation has improved.

Proceeding forward, the 2010 survey offers insights as to those potential implementations considered to be of greatest value in supporting this sector. Common themes relate to 'easing' of the challenges associated with accessing existing government programs and 'easing' access to venture capital. As a measure of the commitment of industry leaders to growing their businesses within Ontario, the highest interest was accorded to "develop and implement a strategic plan for building a competitive indigenous bioscience industry in Ontario".

The 2010 OBIO CEO Consultative Survey speaks to the persistence of challenges in accessing capital and impediments to accessing both funding and markets. It gives voice to a sector which values both its productive relationship with the government of Ontario and the opportunity this survey provides to ensure government programs effectively address current needs. Importantly, this survey also serves as an initiation point for a discussion of alternative means of ensuring continued sector growth. OBIO, through OBEST™ (Ontario Bioscience Economic Strategy Team) will continue to work with industry leaders on the development of a strategic plan with the goal of delivering high value jobs, opportunities for wealth creation and improved health care for all Ontarians.

2.0 Introduction

Ontario's life sciences companies are engaged in the development of new therapeutics and products which promise enhanced opportunities for maintenance of health, through better diagnosis and treatment of illness. In recognition of Ontario's depth of talent within the life sciences, the Ontario government innovation agenda includes "the bio-economy, advanced health technologies and pharmaceutical research and manufacturing" within its priority areas. (*Results Based Plan Briefing Book 2010-11, Ministry of Research and Innovation, ISSN# 1718-7028*). While scientific advances within diverse disciplines continue to offer promise for the treatment of unmet and poorly met needs, our ability to exploit new knowledge for the development of new treatments and diagnostics remains challenged. While the uncertainties associated with the global economic recession represent a challenge for all sectors of the economy, these challenges are particularly acute in the instance of the life sciences sector due to its long product development times and high relative risk:reward ratio.

In recognition of both the unique challenges associated with, and varied opportunities provided by the life sciences industry, the Ontario Bioscience Industry Organization (OBIO) was formed in 2009. Representing the interests of small and medium size enterprises (SMEs), OBIO focuses on industry-led approaches to ensure the advancement of the life sciences industry sector within Ontario.

Within its inaugural year, OBIO undertook two key initiatives for the purpose of deriving a consensus opinion on the state of the life sciences industry within Ontario. The 'Biotech CEO Working Group' and first OBIO CEO Survey ("Industry Generated Recommendations for Sustainability and Growth of Ontario's Bioscience Industry in 2010 and Beyond") provided a forum within which industry leaders could offer substantive feedback to the Ministry of Research and Innovation (MRI) on their funding programs. Further, the consultation marked an initiation point of a process by which industry leaders offered their insights to the provincial government as to what initiatives would best assist their commercialization efforts and the viability of their sector.

The 2009 Survey provided the following industry generated recommendations:

1. Increase the 10% refundable Ontario Innovation Tax Credit (OITC) to be more in line with Quebec.
2. Establish a mechanism to monetize Tax Credits quickly, providing short-term cash flow.
3. Modify the eligibility requirements of the OEFT to allow for smaller funding rounds.
4. Establish a fund similar to the OETF for small public companies unable to raise capital.
5. Change the eligibility requirements for BIP to:
 - a. Remove needs for current market activity.
 - b. Expand the types of companies that can apply.
 - c. Reduce the level of expenditure required.

In the year that has elapsed since the 2009 survey, the landscape of programs supporting the life sciences sector has been altered with the conclusion of some programs (e.g. BIP), and the introduction of other programs and services (e.g. \$7 Million One Time Special Financing Exclusively for Ontario Biotech).

The 2010 CEO Survey was commissioned under the auspices of OBIO to continue to serve as a scorecard for existing programs, and serve as a valued source of industry-led ideas for supporting the growth and commercial potential of Ontario's life sciences sector.

3.0 CEO Consultative Survey - 2010

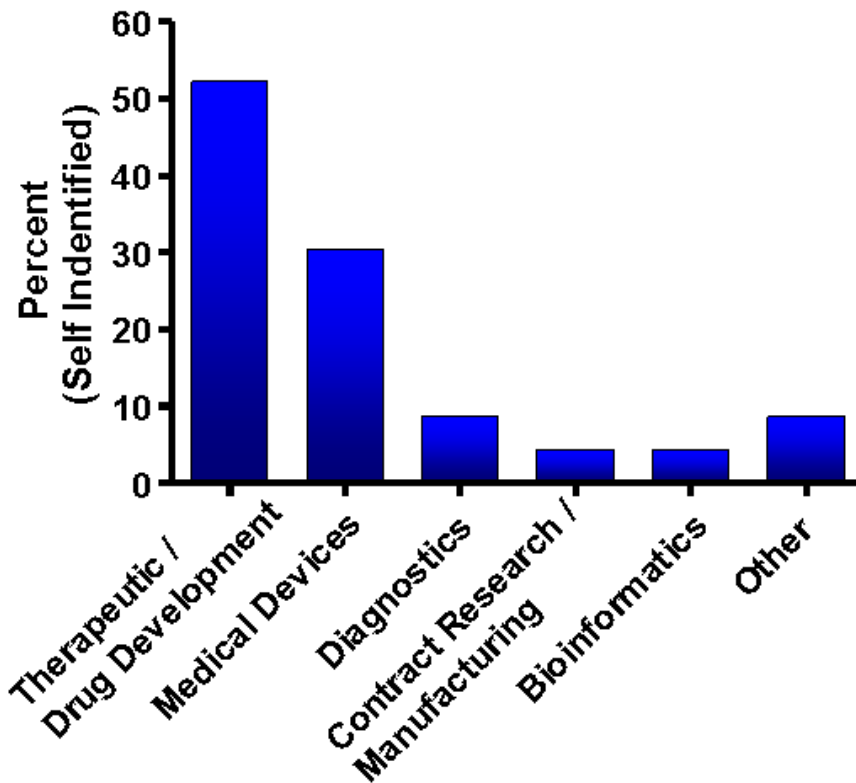
Seventy seven CEOs of Ontario headquartered bioscience companies were contacted in November of 2010 and asked to complete an on-line series of questions. As of November 28, 2010 there were 56 responses (73% overall response rate).

Respondent data

The fifty six respondents (73% response rate) offered a view into an industry which is largely composed of small companies (61% have 10 or fewer employees) pursuing either research and development (35% of companies) or clinical research (30%). Most are privately held (87%) and 57% are 'pre-profit'. (Appendix A)

The majority of respondents categorized their company as therapeutic/drug development (52%) followed by medical devices (30%) and diagnostics (9%) (**Figure 1**).

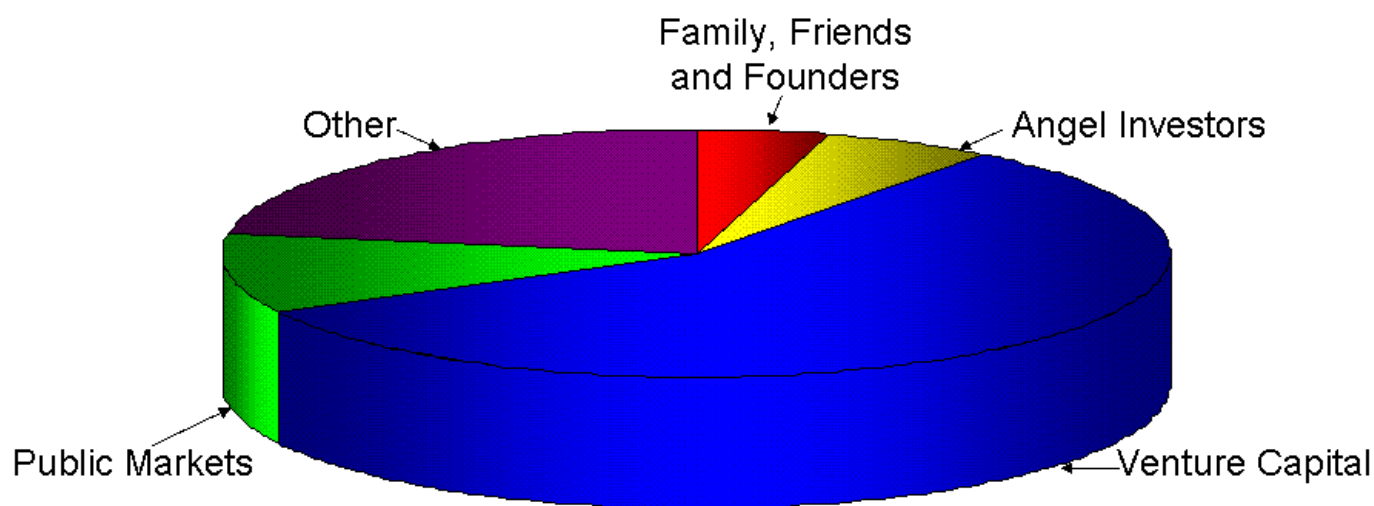
Figure 1: Distribution of Participating Companies
(values sum >100% due to companies conducting >1 activity)



Challenges associated with funding remain the most prominent issue facing life science CEOs in 2011 (**Table 1** below).

Eleven companies secured provincial funding with an average value in excess of \$745,000. In six of these instances funds or other support were derived from one of the provincial programs listed in **Table 2** (see below). Ten companies received Federal funding with an average stipend of just under \$450,000. In 2010 respondents indicated the largest pool of funds relevant to this sector derived from venture capital (5 funding events with an aggregate value of \$171M) (**Figure 2**). In contrast funding from government sources amounted to just under \$12.7M, comparable to that deriving from 'friends, family and founders' (\$12.97M) and somewhat less than invested by 'angels' (\$18M).

Figure 2: Respondent Company Finance Sources



For the purpose of better understanding the issues facing life sciences executives, CEOs were requested to rank the top 5 issues (from a list of 11 items) they were likely to be dealing with in the next 12 months. The results are presented in **Table 1** ordered from the most to the least prevalent choices.

Table 1: Issues Confronting Life Sciences CEOs in 2011

Rank	Issues	Rating (%)
1	Raising external financing	91
2	Partnering	65
3	Funding research	57
4	Funding commercialization	44
5	Funding clinical trials	39
6	Funding patent prosecution	30
7	Keeping jobs in Ontario	26
8	Survival	26
9	Preserving working capital	22
10	Attracting management talent	17
11	Hiring skilled biotech workforce	9

The importance of access to capital for life sciences businesses is powerfully demonstrated by the above data. The dominant issue facing CEOs is 'raising external capital'. Four of the subsequent five issues explicitly refer to securing funds to conduct critical business operations. Even partnering, especially when it occurs in the context of a relationship with a larger company is likely to be driven by the need to monetize programs and intellectual property. These data are consistent with the 2009 survey in which 'raising capital' was the primary fiscal issue facing 51% of CEOs.

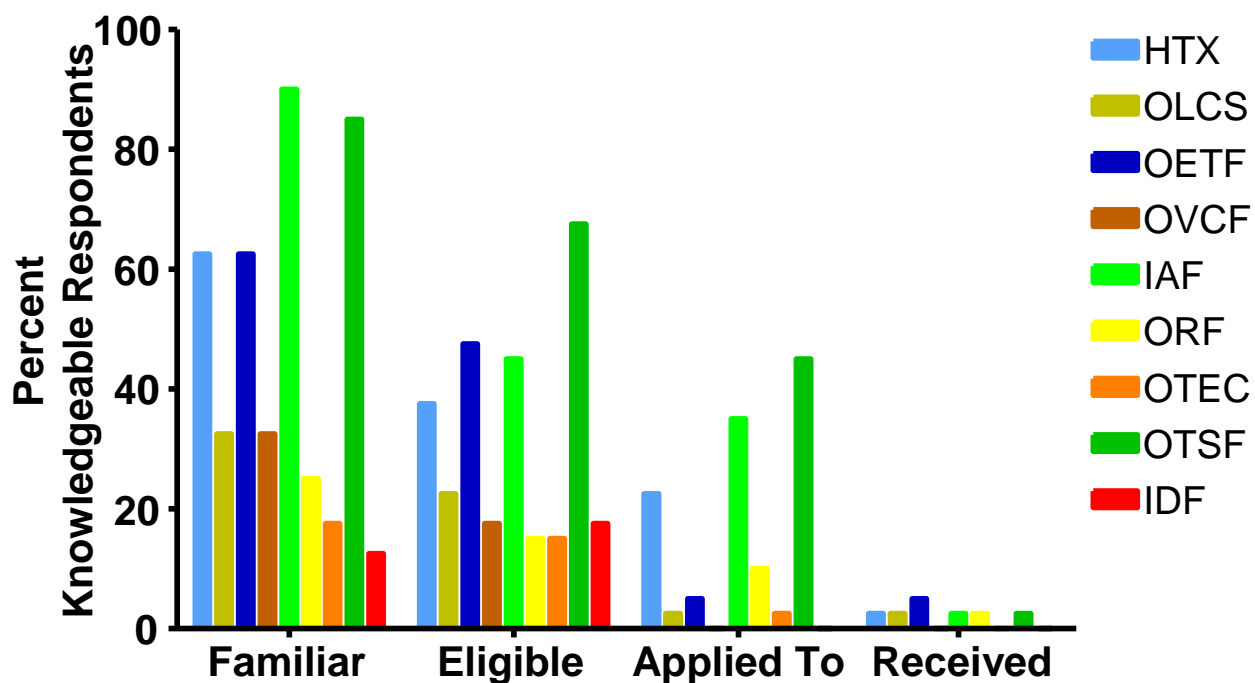
3.1 Review of Existing Funding / Support Programs

The Government of Ontario, primarily through the Ministry of Research and Innovation (MRI) offers a diverse suite of programs to support the life sciences sector (**Table 2**). Respondent knowledge regarding these programs varied with 29% of respondents lacking awareness of these programs. Of those respondents expressing knowledge of at least one of these programs, the greatest familiarity was for the 'Investment Accelerator Fund' (90%). In contrast the 'Innovation Demonstration Fund' was familiar to 12.5% of respondents (**Figure 3**). Data represented within Figure 3, as well as its accompanying text, are based on the responses from CEOs acknowledging the existence of at least one program.

Table 2: Ontario Programs Applicable to Supporting Life Sciences Innovation
(source: Government websites, as of October 2010)

Program
Health Technology Exchange (HTX)
Ontario Life Sciences Commercialization Strategy (OLCS)
Ontario Emerging Technology Fund (OETF)
Ontario Venture Capital Fund (OVCF)
Investment Accelerator Fund (IAF)
Ontario Research Fund (ORF)
Ontario Tax Exemption of Commercialization for New Corporations that Commercialize Intellectual Property from Canadian Universities and Colleges (OTEC)
\$7 Million One Time Special Financing Exclusively for Ontario Biotech (OTSF)
Innovation Demonstration Fund (IDF)

Figure 3: Knowledgeable Respondents Experience with Government Funding Programs



Program eligibility, as assessed by respondent life sciences CEOs exceeded 50% only in the instance of the 'One Time Special Financing (68%)'. Assessed eligibility was moderate (35 - 50%) for the Health Technology Exchange, Ontario Emerging Technologies Fund and the Investment Accelerator Fund. In all remaining instances, assessed eligibility was 23% or lower (Ontario Life Sciences Commercialization Strategy; Ontario Venture Capital Fund; Ontario Research Fund; Ontario Tax Exemption for Commercialization; and Innovation Demonstration Fund).

With regard to applications, the 'One Time Special Financing' attracted the greatest interest (45%). Consistent with the data above regarding "Eligibility" the Investment Accelerator Fund (35%) and Health Technology Exchange (23%) garnered successively lower levels of application interest. The low level of applications for the Ontario Emerging Technologies Fund (5%) is notable. Respondents highlighted several issues with this program that may account for this modest level of interest (see below).

At the time when this survey was taken (November 28, 2010) a small number of funding awards had been granted. The greatest number of funding events (n=2) was associated with the Ontario Emerging Technologies Fund. As provincial funding decisions can occur throughout the year, it is conceivable that additional events occurred within 2010, subsequent to the date on which the survey consultation was concluded (November 28, 2010).

3.1.1 Review of Funding Initiatives

The 2010 CEO Survey sought to determine the extent to which existing funding programs addressed the needs of Ontario's Life Sciences Sector. In addition, the Survey drew from the insights gained from the 2009 Working Group and CEO Survey to gauge the depth of interest in possible revisions to these programs.

Ontario Emerging Technologies Fund (OETF)

The Ontario Emerging Technologies Fund (OETF) is a \$250M discretionary, non-entitlement investment program that will commit up to \$50M per year, for five years. 'Life Sciences and advanced health technologies' is one of the three identified focus areas (along with 'clean technologies' and 'digital media and information and communications technologies'). The fund is a co-investment fund which will invest alongside qualified co-investors.

As noted above, while familiarity and eligibility with the OETF are moderate, the level of interest (as noted by the number of applications submitted) is relatively low.

The 2009 Working Group, in consideration of the OETF, suggested three changes to the OETF which they believed would be catalytic. In the 2010 CEO survey respondents once again ranked proposed program changes on the basis of their significance to their company (**Table 3**).

Table 3: OETF Suggestion Matrix

Proposed Program Change	Primary (%)	Secondary (%)	Tertiary (%)
Lower minimum investment threshold from \$1 million	74	15	12
Make Public companies with low market capitalization (e.g. < \$20 million) eligible for the program	12	62	27
Create a separate OETF fund for publicly traded companies	15	24	62

A high level of unanimity existed between the respondents with regard to the perceived value of these proposed changes to their companies. Implementation of these changes would broaden the eligibility for the OETF program bringing this program more 'in line' with the size distribution of companies populating this sector within Ontario (61% have 10 or fewer employees and 56.5% had no revenue within the last fiscal year).

Respondents were requested to suggest additional improvements to the OETF program. The following consensus comments were offered:

- A large majority requested broadening the definition of "qualified investors" to encompass 'Angels' and 'high net worth individuals'. Indenturing life sciences companies to venture capital through co-investment requirements is problematic when there is a paucity of domestic funds and a focus on later stage companies.
- A significant consensus requested reductions in 'red tape'; extensive paperwork; and time delays.

Key benefits perceived to derive from implementing these initiatives support business critical activities (the list of applicable choices and their definitions are provided in Appendix B).

- Attracting investment (66%)
- Extending the runway (53%)
- Increasing R&D spending (53%)

Investment Accelerator Fund (IAF)

The Ontario Investment Accelerator Fund (IAF) is a \$29M fund directed towards early-stage knowledge-based companies engaged in the testing and developing of new technology. Investments (\$250,000 to \$500,000) can be used for to support a range of activities (e.g. technology development; market potential analysis; prototype development; early customer trials; promotion; patent costs). The Fund also provides business mentorship services and support for attracting later stage venture capital.

The 2010 CEO Survey indicates that the IAF is one of the top three programs with regard to familiarity, eligibility and interest (as indicated by the number of applications). Respondents were requested to provide recommendations (up to 3, ranked in declining order of importance) for improvement of the IAF program.

Primary responses related to:

- The need for greater funding.
- A perceived aversion to life sciences investing / companies with longer timelines to market.
- The need for decision making by highly-skilled individuals with understanding of the life sciences sector.

Secondary responses related to:

- Larger investments.
- The need for faster decision making.

- Process transparency and clearer rules for applicability.

And, tertiary responses related to:

- Expanded levels of funding.
- Reductions in 'red tape' / arduous nature of the application and decision processes.
- The need to accelerate the process.

Consistent themes across all levels of prioritization relate to funding limitations, and application and decision making processes which are seen as overly demanding and too slow. Additionally, concern was expressed that biases inherent to this program may limit its applicability to the life sciences sector. At the time of this survey, one respondent company had received funding under the IAF.

Key benefits perceived to derive from implementing these initiatives support business critical activities:

- Add jobs (74%)
- Attract investment (74%)
- Increasing R&D spending (65%)

Ontario Innovation Tax Credit (OITC)

The Ontario Innovation Tax Credit (OITC) is a refundable tax credit available to all corporations that perform scientific research and experimental development (SR&ED) in Ontario. The program is administered by the Canada Revenue Agency on behalf of Ontario, through the federal income tax system. The OITC is calculated as 10% of qualifying SR&ED expenses to a maximum annual credit of \$300,000.

Forty-six percent of respondents received OITC credits with an average value of \$183,500.

The 2009 Working Group, in consideration of the OITC, suggested three changes to the OITC which they believed would be catalytic. In the 2010 CEO survey respondents were requested to rank these initiatives on the basis of their significance to their company (**Table 4**).

Table 4: OITC Suggestion Matrix

Initiative	Primary (%)	Secondary (%)	Tertiary (%)
Increase OITC from 10% to 37.5% thus increasing the maximum claim from \$300,000 to \$1.125 million	73	12	15
Expand the eligible qualifying expenditures (e.g. market research)	8	54	39
Increase frequency of OITC payment from annually to quarterly	19	35	46

A high level of unanimity existed between the executives with regard to the value of increasing the allowable portion of qualifying SR&ED expenses from 10% to 37.5%. Had this been enacted prior to 2010, the average credit in 2010 would have increased from \$184,000 to \$690,000 (in the absence of a maximal annual credit limit). The importance accorded to 'expanding qualifying expenditures' and 'increasing the frequency of OITC payment' was comparable with the majority of respondents seeing these initiatives as being of secondary or tertiary importance. Common themes continue to relate to funding levels and cash flow considerations.

Respondents were requested to suggest additional improvements to the OITC program. The following consensus comments were offered:

- Reduce the time required to secure refunds.
- Offer loan guarantees on receivables (as in Quebec).
- Expand allowable expenditures (Ontario-based patent costs; non-R&D expenses).

One Time (\$7M) Special Financing Exclusively for Ontario Biotech (OTSF)

The One Time Special Financing Exclusively for Ontario Biotech has garnered the highest levels of awareness and interest (applications) of all of the programs surveyed. Of those CEOs that had not yet applied, almost half (44%) expressed an intention to apply. Those disinterested in applying offered the following rationales:

- Ineligibility / lack of applicability to medical devices.
- Funds were deemed insufficient / application was considered an ineffective use of time.
- Program is not applicable to later stage development.

For those respondents who had applied, they were requested to rate their experience with this program. Highest levels of satisfaction were accorded to the ease of the application process

(46% gave ratings of '5 or higher' on a 7-point scale). Highest levels of dissatisfaction were accorded to 'speed of disbursements' (75%, '3 or lower' on a 7-point scale), 'appropriateness of qualifying criteria' (54%) and 'adequacy of grant sizes' (50%).

Respondents were requested to provide recommendations (up to 3, ranked in declining order of importance) for improvement of the OTSF program.

Primary responses related to:

- Increased funding (32%).
- Increased flexibility with regard to requirements (19%).
- Faster response time; include medical devices (both 14%).
- Single comments relating to allowing for late stage companies; public companies; and "save the money".

Secondary responses related to:

- Faster response time (46%).
- Increased funds; continue program beyond one year; and remove requirement for a VC round (each 15%).
- Single comments relating to: increased transparency; and administering the program outside of the IAF.

And, tertiary responses related to:

- Faster response time (30%).
- Remove requirement for a VC round (20%).
- Single comments relating to: increased flexibility of requirements; increased funds; include medical devices; and install new management.

Consistent themes across all levels of prioritization relate to funding limitations, requirement flexibility, response delays and the requirement for a VC round. At the time of this survey, one respondent company had received funding under the OTSF.

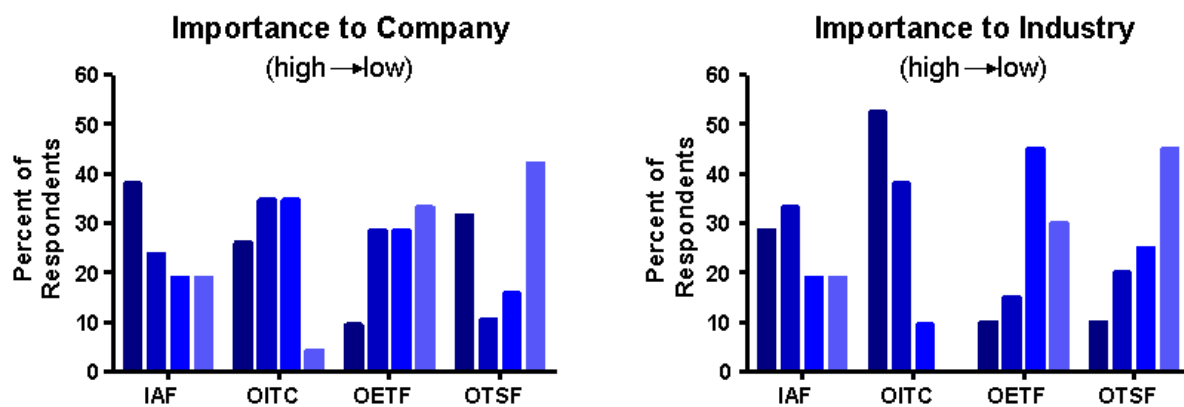
Key benefits perceived to derive from implementing these initiatives support business critical activities:

- Attract investment (66%)
- Increasing R&D spending (53%)
- Extend runway (53%)

3.2 CEO Respondent Ratings of Existing Programs

CEOs were requested to identify which of the above programs were most important to their companies. Both the 'Investment Accelerator Fund' (IAF) and 'Ontario Innovation Tax Credit' (OITC) (62% and 61%, respectively, '1 to 2' ratings on a 4-point scale) were accorded highest importance. Comparable values for the 'Ontario Emerging Technologies Fund' (OETF) and 'One Time Special Financing Initiative' (OTSF) were 38% and 42%, respectively (**Figure 4**). The preference profile for the 'One Time Special Financing Initiative' (OTSF) was unique in that this program received the second highest level of CEOs indicating it was of greatest significance to their company (rating of '1'), and the highest level of CEOs indicating it was least significant to their companies (rating of '4').

Figure 4: Perceived Importance of Provincial Funding Programs



When CEOs were asked which programs were most important for their industry, the pattern of responses was similar with their values being slightly more extreme. The most important program to the industry was perceived to be the Ontario Innovation Tax Credit (OITC) with 91% rating this program either '1 or 2' on a 4-point scale. The Investment Accelerator Fund (IAF) received a rating of 62% favourable while the industry importance of the One Time Special Financing Initiative (OTSF) and Ontario Emerging Technologies Fund (OETF) were lower at 30% and 25% favourable (respectively).

The ratings accorded to the One Time Special Financing (OTSF) seem discordant with the high application level and intent-to-apply described above. Should consideration be given to additional 'One Time' funding programs, attention to the above recommendations would be expected to ensure a continued high level of interest in this program and its support for business critical activities.

4 Establishing Future Priorities for OBIO

The 2009 CEO Working Group (OBIO) identified fourteen candidate priority initiatives for consideration for 'mid-term' (2 - 5 years) implementation. The 2010 CEO Survey gave respondent CEOs the opportunity to rank these initiatives with regard to their importance to their companies. In the following Table (**Table 5**) the initiatives have been ranked according to the percent of CEOs responding with their highest ratings (1 or 2, on a 5-point scale).

Table 5: Future Priority Initiatives for OBIO

Rank	Initiative	Rating (%)
1	Develop and implement a strategic plan for building a competitive indigenous bioscience industry in Ontario	83
2	Simplification of government requirements to qualify for existing programs	74
3	Make it easier for venture capital companies to invest in Ontario companies	74
4	Tax credits for work done in Ontario	68
5	Tax loss monetization reform	64
6	Modification of the SR&ED program	64
7	Develop a Canadian program similar to the US SBIR program to fund startup-up companies	61
8	Flow through shares	60
9	Develop Ontario procurement programs for Ontario companies	55
10	Revisions to university IP policy to facilitate licensing to Ontario bioscience companies	46
11	Create a retail investment program	41
12	Stimulate Hospital / University / Industry collaborations	41

Rank	Initiative	Rating (%)
13	Market Ontario companies more effectively globally	41
14	Tax holidays for foreign talent	14

It is notable, as a reflection of the respondent CEOs interest in building their businesses within Ontario, that the initiative with the highest level of interest is "develop and implement a strategic plan for building a competitive endogenous bioscience industry in Ontario". In response to this concerted and high level of interest, OBIO has commissioned OBEST (Ontario Bioscience Economic Strategy Team). OBEST is a means by which the leadership of Ontario's life sciences companies can contribute to the shaping of public policy in support of Ontario's life sciences companies. The recommendations arising from the OBEST process will be shared with relevant stakeholders in industry, academia and government in the later part of the first quarter of 2011.

Additional common themes relate to 'easing' of the challenges associated with accessing existing government programs and 'easing' access to venture capital.

Given the capital intensity associated with life sciences research, and the scarcity of risk capital engendered by the global economic downturn, it is not surprising that many of the highly rated initiatives address either indirect (tax relief), or direct (SBIR-like programs) means of funding corporate research and development.

Ontario can further support the life sciences sector by putting in place procurement policies which encourage the adoption and use of Ontario-made medical devices and technologies.

The leaders of Ontario's life companies value the productive relationship they share with the government of Ontario and the opportunity this survey provides to speak towards existing programs and future initiatives. OBIO, through OBEST (Ontario Bioscience Economic Strategy Team) will continue to endeavor to work with industry leaders in the development of a strategic plan with the goal of delivering high value jobs, opportunities for wealth creation and improved health care for all Ontarians.

Appendix A – Industry Participation

Industry	
Drug Development / Therapeutics	52%
Medical Devices	30%
Diagnostic	9%
Contract Research Services/Manufacturing	4%
Bioinformatics	4%
Other	9%

Ownership	
Public	13%
Private	87%

Stage of Company	
Early R&D	35%
Clinical Phase (I, II, III)	30%
Market Ready	26%
Revenues	9%

Employees	
1 to 10	61%
11 to 50	35%
51 to 100	4%
>100	0%

Revenue for Last Fiscal Year	
<\$0	57%
0 - \$10M	44%
>\$10M - \$25M	0%
>\$25M - \$50M	0%
>\$50M	0%

Source of Revenue	
Sales to third parties	75%
Income from licensing	50%

Annual Financial Support for Receiving Companies	
Provincial	Average: \$745,455
Federal	Average: \$449,515

Total Equity Investment	
Founders	Average: \$864,667
Angels	Average: \$1,384,615
VC	Average: \$15,545,455
Public Market	Average: \$3,875,000
Other	Average: \$7,483,333

Biggest fiscal issue in the next 12 months	
Raising external financing	91%
Partnering	65%
Funding research	57%
Funding commercialization	43%
Funding clinical trials	39%
Funding patent prosecution	30%
Keeping jobs in Ontario	26%

Appendix B - Survey

OBIO



Ontario Bioscience CEO Consultation

Access to capital continues to constrain stability and growth within the Ontario bioscience industry. At the same time Canada has lost its place in the International rankings of innovative jurisdictions and slipped to 14th place. Last year, concerned leaders of Ontario bioscience companies organized six CEO Working Groups and provided OBIO with recommendations on key tax and policy changes that could make positive contribution to the sustainability and future growth of the industry. A report incorporating recommendations for program adjustments, was presented to the McGuinty Government in time for the 2010 budget. The government responded with a one time infusion of capital for companies that met criteria derived following input from OBIO, plus changes to other existing programs that would allow more indigenous Ontario companies to qualify.

In preparation for the 2011 budget, OBIO is again asking you to please strengthen our industry's cause by taking 15 minutes to vote and complete this questionnaire. As you proceed you will be asked to add your insights and recommendations to the work that was done by the CEO 2009 Working Groups and the work that is being done as part of OBIO's, stakeholder-wide strategic planning program called OBEST.

Please submit your answers and comments by November 28 2010, so your feedback can be included in the next set of industry-generated recommendations to key Provincial Ministries including the Ministries of Finance and Research and Innovation. The report will be released to all OBIO CEO Members electronically and to other interested participants at the OBEST province-wide workshops.

All data collected from a specific company or respondent during this consultation will be considered confidential. Individual and contributors of specific comments, opinions or answers made in this questionnaire not be identified or linked to responses in any way.

1. Awareness of government Initiatives: Please check the boxes below in response to questions 1a through 1d. Please indicate n/a if not applicable.

1a. Which of the following initiatives by the Ontario Government are you familiar with? [Choose all that apply]

1b. Which of the following programs is your company eligible for? [Choose all that apply]

1c. Which of these has your company applied to? [Choose all that apply]

1d. Of the programs you have applied to which has your company gotten financial or other support from? [Choose all that apply]

PROGRAM	1a. FAMILIAR WITH	1b. ELIGIBLE	1c. APPLIED TO	1d. RECEIVED SUPPORT
Health Technology Exchange HTX				
Ontario Lifesciences Commercialization Strategy				
Ontario Emerging Technology Fund				
Ontario Venture Capital Fund				
Investment Accelerator Fund				
Ontario Research Fund				
Ontario Tax Exemption for Commercialization for new corporations that commercialize Intellectual Property from Canadian Universities and colleges				
\$7 million One Time Special Financing exclusively for Ontario Biotech				

Innovation Demonstration Fund			
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Summaries of Specific Provincial programmes directed to the bioscience industry are included below, with links to the appropriate web sites.

Program
<p>Ontario Emerging Technology Fund (OETF)</p> <p>The Ontario Emerging Technologies Fund (OETF or the Fund) is a direct investment fund established by the Province of Ontario in : OETF will be a \$250 million fund, to a maximum of \$50 million per year, to co-invest alongside Qualified Investors into innovative, hi is managed by the Ontario Capital Growth Corporation (OCGC), an agency of the Ontario Ministry of Research and Innovation. OCC Corporation and Northwater Capital Management Inc. to evaluate applications in relation to OETF. Covington Capital Corporation wi monitoring of co-investments under the Fund. As stated on the website, the Fund model is based on a number of design principles t government's goal and objectives for the Fund:</p> <ul style="list-style-type: none"> • Market-based investment decisions – identification of investment opportunities will be undertaken by qualified investors th have been pre-qualified by Ontario • Rapid deployment of capital – the Fund will have the ability to make investments directly into companies within a short tim • Focus on key industry sectors for Ontario – the Fund will focus its investments on sectors of strategic importance to the pr • Government's role as a catalyst – Ontario will act as a catalyst to leverage private sector capital. • Ability to make additional investments into an investee company – the Fund will be able to make both initial and follow-on potential, innovative companies. <p>OCGC's initial investment will not be more than \$5 million and a maximum of \$25 million will be invested into a company over the life investment exceed the amount of the largest Qualified Investor's investment. Eligible companies must be in one of the three key sec technologies and digital media, information and communication technology.</p> <p>For more information visit: www.ocgc.gov.on.ca/site/en/funds/ontario-emerging-technologies-fund/</p>
<p>Investment Accelerator Fund (IAF) [\$29 million]</p> <p>The Investment Accelerator Fund finances eligible knowledge-based companies to test and develop their new technology in the earl take the idea closer to the marketplace. Investments between \$250,000 and \$500,000 help companies with technology developmen development, early customer trials, promotion and patenting costs. IAF will also provide companies with business mentorship until a temporarily or permanently. The fund also supports assistance to attract later-stage venture capital.</p> <p>For more information visit: www.mri.gov.on.ca/english/programs/</p>
<p>Ontario Innovation Tax Credit (OITC)</p> <p>The Ontario Innovation Tax Credit (OITC) is a refundable tax credit. It is available to all corporations that perform scientific research Ontario. The Canada Revenue Agency (CRA) administers the program on behalf of Ontario through the federal income tax system. T SR&ED expenses. Qualifying expenses are: 100% of current expenses and 40% of capital expenses. The maximum annual credit is ermanent establishment in Ontario; carries on SR&ED in Ontario during the year and is eligible to claim the investment tax credit un more information visit: www.canadabusiness.ca/servlet/ContentServer</p>

\$7 million One Time Special Financing exclusively for Ontario Biotech

A new \$7-million fund has been created by the Ministry of Research and Innovation as part of the Ontario Life Sciences Commercialization Fund. The program helps accelerate the growth of life sciences companies established in Ontario. The fund invests up to \$1 million in companies that have the potential to be global leaders in their field and provide sustainable economic benefits to Ontario. The \$7-million one-time fund helps innovative Ontario life sciences companies turn their discoveries into new products and services for previously unmet patient needs. The fund provides a comprehensive platform of resources, people,

connections and funding that entrepreneurs and innovators can access to launch and grow their new ventures. The \$7-million program is managed by MaRS and delivered by the [Investment Accelerator Fund \(IAF\)](#) through the [Ontario Network of Excellence](#), a collaborative network of organizations across Ontario designed to help commercialize ideas.

<http://www.marsdd.com/aboutmars/partners/iaf-lifesciences.html>

The following Definitions apply throughout this questionnaire:

Gain Eligibility: Allow your company to qualify for the program or increase the amount you can claim

Extend Runway: Increase the amount of time your company can continue core operations with the current number of employees.

Add Jobs: Create additional positions within your company.

Attract Investment: Ability to attract capital investments.

Increase Sales: Increase in top line sales.

Ontario Base: Continue operations in Ontario rather than locate to another jurisdiction.

R&D Spend: Increase your R&D expenditure to achieve company milestones.

2. OETF

The 2009 CEO Working Groups proposed The following changes to the OETF program.

a) Tell us what changes to the OETF you want OBIO to continue to recommend to the Provincial Government. Please rank your choices from 1 to 3 where 1 is most significant for your company and 3 is least significant)

Lower minimum investment threshold from \$1 million	
Make Public companies with low market capitalization(e.g. < \$20 million) eligible for the program	
Create a separate OETF fund for publicly traded companies	

b) Tell us how your **NUMBER 1 CHOICE ABOVE FOR CHANGE TO THE OETF** would impact your business in terms of the parameters shown below (tick all that apply). **Please refer to the Impact Definitions at the start of this questionnaire.**

c) Please indicate the area of most significant impact [Choose one only]

	b) Impact on business (indicate all that apply)	c) Most significant one only
Gain Eligibility		
Extend Runway		

Add Jobs		
Attract Investment		
Increase Sales		
Ontario Base		
R&D Spend		

d) What other changes if any would you recommend to the OETF program?

3) INVESTMENT ACCELERATOR FUND (IAF)

a) Tell us what, if any changes to the IAF you want OBIO to recommend to the Provincial Government. Please rank your recommendations from 1 to 3 where 1 is most significant and 3 is least significant)

b) Tell us how your **NUMBER 1 CHOICE ABOVE FOR CHANGE TO THE IAF** would impact your business in terms of the parameters shown below (tick all that apply). **Please refer to the Definitions at the start of this questionnaire.**

c) Please indicate the area of most significant impact [Choose one only]

	b) Impact on business (indicate all that apply)	c) Most significant one only
Gain Eligibility		
Extend Runway		
Add Jobs		
Attract Investment		

Increase Sales		
Ontario Base		
R&D Spend		

d) 1. Do you propose any other change to the IAF program?

4) OITC

a) What was the value of your OITC last year? \$ _____
b) Were you successful in receiving all OIT Credits that you applied for? Yes No

The 2009 CEO Working Groups proposed The following changes to the OITC program.	
c) Tell us what change to the OITC you want OBIO to continue to recommend to the Provincial Government Please rank your choices from 1 to 3 where 1 is most significant for your company and 3 is least significant).	
Increase OITC from 10% to 37.5% thus increasing the maximum claim from \$300,000 to \$1.125 million	
Increase frequency of OITC payment from annually to quarterly	
Expand the eligible qualifying expenditures (e.g. market research)	

d) Tell us how your NUMBER 1 CHOICE ABOVE FOR CHANGE TO THE OITC would impact your business in terms of the parameters shown below (tick all that apply). Please refer to the Definitions at the start of this questionnaire.		
e) Please indicate the area of most significant impact [Choose one only]		
	b) Impact on business (indicate all that apply)	c) Most significant one only
Gain Eligibility		
Extend Runway		
Add Jobs		

Attract Investment		
Increase Sales		
Ontario Base		
R&D Spend		

5. \$7 million One Time Special Financing exclusively for Ontario Biotech

a) If you **have not** already done so, do you intend to apply to this program? Yes (skip to 5c) No

b) If not, please tell us why not?

c) If you have applied to this new program, please provide us with your feedback. On a scale of 1 to 7 where 1 is the poorest rating you would give on this measure and 7 is the best rating, please rate this program on the following measures:

1 Ease of application process
2 Responsiveness of staff
3 Adequacy of grant sizes
4 Speed of disbursements
5 Appropriateness of qualifying criteria
6 Availability and quality of information on the program
Please include any other feedback.

d) Tell us what, if any changes to the Special Financing initiative you want OBIO to recommend to the Provincial Government. Please rank your recommendations from 1 to 3 where 1: most significant, 3: least significant)

<p>e) Tell us how your NUMBER 1 CHOICE ABOVE FOR CHANGE TO THE SPECIAL FINANCING INITIATIVE would impact your business in terms of the parameters shown below (tick all that apply). Please refer to the Impact Definitions at the start of this questionnaire.</p> <p>f) Please indicate the area of most significant impact [Choose one only]</p>	
	<p>b) Impact on business (indicate all that apply)</p>
	<p>c) Most significant one only)</p>

Gain Eligibility		
Extend Runway		
Add Jobs		
Attract Investment		
Increase Sales		
Ontario Base		
R&D Spend		

6) Establishing Current Priorities for OBIO

a) Tell us which programs below are most important to **your company. Please indicate your choice with a ranking from 1 to 4 (1: most important, 4: least important)**

IAF	
OITC	
OETF	
Special financing initiative	
Other please specify	

b) Tell us which programs below are most important to **the industry overall. Please indicate your choice with a ranking from 1 to 4 (1: most important, 4: least important)**

IAF	
OITC	
OETF	
Special financing initiative	

Other Please specify	
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<p>c) Are there any other provincial programs that should receive immediate attention (i.e. in time for the next budget)? What changes would make these programs more useful - for your company or the industry as a whole? Please comment below:</p>

7) Establishing Future Priorities for OBIO

<p>The 2009 CEO Working Groups for OBIO identified 14 initiatives as candidate priorities to be addressed in the mid-term.</p> <p>a) Rate the level of priority you would assign to each of the programs listed below. Use a scale from 1 to 5 where “1” means the program should be given the highest priority and “5” means the program is not a priority.</p>	
Tax credits for work done in Ontario	
Tax loss monetization reform	
Create a retail investment program	
Flow through shares	
Modification of SRED program	
Simplification of government requirements to qualify for existing programs	
Develop a Canadian program similar to the US SBIR program to fund start-up companies	
Revisions to university IP policy to facilitate licensing to Ontario bioscience companies	
Develop Ontario procurement programs for Ontario companies	
Stimulate Hospital/University/Industry collaborations	
Market Ontario companies more effectively globally	
Make it easier for venture capital companies to invest in Ontario companies	

Develop and implement a strategic plan for building a competitive indigenous bioscience industry in Ontario	
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8) Company Information PLEASE COMPLETE CAREFULLY. IT IS IMPORTANT TO TRACK NEEDS AND MEASURE EFFECTIVENESS ACROSS COMPANIES

a) For analysis purposes, please provide the following information about your company. This information is confidential and cannot be traced to your company. The aggregate data will be used to quantify the impact of the changes recommended in the report. Please tick boxes and/or fill in information required.

Therapeutic	
Drug Development	
Medical Device	
Contract Research Services/Manufacturing	
Diagnostic	
Bioinformatics	
Other (Please Specify):	

b) Ownership of company:

Private	
Public	

c) Stage of Company: most advanced

Early R&D	
Clinical Phase (I, II, III)	
Market Ready	
Revenues	

d) Number of employees:	
1 -10	
11-50	
51- 100	
>100	

e) Company Revenues in last fiscal year:	
\$0 (skip to 8g)	
\$>0 to \$10M	
\$>10M to \$25M	
\$>25M to \$50M	
>\$50M	

f) Source of revenues: (check all that apply)	
Sales to third parties	
Income from licensing	

g) Current annual government support (approx):	
Provincial sources \$	
Federal sources \$	

h) Equity investment:	
Family, friends Founders \$	

Angels \$	
VC \$	
Public market \$	
other	

i) What are the biggest issues in the next 12 months facing your company? Please check the boxes for the top 5 issues you will be dealing with.	
Raising external financing	
Preserving working capital	
Funding patent prosecution	
Funding research	
Funding clinical trials	
Keeping jobs in Ontario	
Hiring skilled biotech workforce.	
Attracting management talent	
Survival	
Partnering	
Funding Commercialization	
j) What other activities would you recommend OBIO pursue in the next 12 months for the benefit of your company and the industry	



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